

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 COME-00 OPIC-03 INT-05 FEA-01 L-03 H-02

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 INR-07 NSAE-00 /073 W

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R 021400Z OCT 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7037

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E.O. 11652: N/A

TAGS: EINV, EMIN, PFOR, PE

SUBJ: MARCONA SUBMITS REVISED ESTIMATE OF VALUATION TO GOP

REF: LIMA 8088

1. COMPTON CALLED ON AMBASSADOR SEPTEMBER 30 TO REPORT THAT HE HAD UPDATED A.D. LITTLE STUDY AND COME UP WITH A FIGURE OF \$231 MILLION. HE HAD GIVEN THIS REVISED ESTIMATE TO YATACO OF MINES MINISTRY, WHO TOLD HIM GOP TEAM WOULD STUDY THESE DATA TOGETHER WITH CONTRACTS AND DECREE LAW TO DETERMINE WHETHER OR NOT THEY COULD AGREE WITH MARCONA LAWYERS' INTER-

PRETATION THAT ARTICLE 8 APPLIED ONLY TO FOUNDATIONS AND PERMANENT STRUCTURES, THUS LEAVING BALANCE ELIGIBLE FOR COMPENSATION. COMPTON SAID HE WOULD RETURN TO SAN FRANCISCO ON OCTOBER 1 TO AWAIT COMPLETION OF THIS STUDY.

2. COMPTON SAID THAT MARCONA IS FLEXIBLE AND WOULD BE PREPARED TO CONSIDER FAVORABLY A WIDE VARIETY OF FORMULAS. MARCONA WOULD BE WILLING TO ACCEPT PAYMENT IN CASH OR KIND OVER A FIVE TO TEN-YEAR PERIOD, OR A COMBINATION OF SUCH PAYMENTS TOGETHER WITH THE LUMP-SUM PAYMENT WHICH NOW APPEARS POSSIBLE IN KEEPING WITH THE MARCONA LAWYERS' INTERPRETATION OF THE CONTRACTS

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AND THE EXPROPRIATION DECREE. MARCONA IS ALSO WILLING

TO REINSTATE SALES AND SHIPPING AT ONCE ON BASIS OF AN INTERIM AGREEMENT AND COULD HAVE FIRST SHIP IN SAN NICOLAS FOR LOADING WITHIN FIVE DAYS. COMPTON SAID HE WOULD VISUALIZE SUCH AN INTERIM AGREEMENT AS CONTAINING THE OUTLINE OF THE FINAL AGREEMENT AND AS COMMITTING BOTH SIDES TO

NEGOTIATE DETAILS WHILE SHIPPING AND SALES WERE GOING FORWARD. SUCH AN INTERIM AGREEMENT WOULD ALSO BE USEFUL IN ORDER TO PERMIT OPERATIONS TO GO FORWARD WHILE NEGOTIATING WITH THE JAPANESE ON THE PELLET PLANT EXPANSION, WHICH COMPTON ESTIMATED WOULD TAKE AT LEAST 90 DAYS.

3. COMPTON SAID THAT, WITH GOOD WILL ON BOTH SIDES, THERE IS NO REASON WHY OPERATIONS CANNOT RECOMMENCE WITHIN A MATTER OF DAYS. MARCONA, HE SAID, IS NOT ANGRY WITH ANYONE. HE ADMITTED THAT THE CONTINUED PRESENCE OF BOSSIO AS PRESIDENT OF HIERROPERU WOULD CONSTITUTE A PROBLEM. GIVEN BOSSIO'S ATTITUDE, HE DID NOT SEE HOW COOPERATION AT THE OPERATIONAL LEVEL WOULD BE POSSIBLE. COMPTON ALSO SAID THAT THE NEGOTIATION OF SIDE DEALS, SUCH AS THE SALE OF ONE MILLION TONS OF PELLETS TO VENEZUELA, WILL COMPLICATE MATTERS, SINCE PERU IS COMMITTING THE VERY PRODUCT ON WHICH AN AGREEMENT WITH MARCONA MUST BE BASED.

4. THE AMBASSADOR TOLD COMPTON THAT HE WOULD BE PAYING A COURTESY CALL ON NEW FINANCE MINISTER BARUA THE NEXT DAY AND ASKED IF COMPTON THOUGHT IT WOULD BE USEFUL IF HE OUTLINED MARCONA'S THOUGHTS TO BARUA. COMPTON SAID HE BELIEVED THIS WOULD BE HELPFUL.

5. COMMENT: IT APPEARS TO US THAT THE GOP SHOULD CER-

TAINLY BE ABLE TO AGREE TO SOME FORMULA WHICH WOULD MEET ITS PROBLEMS WITHIN THE BORAD OUTLINES DESCRIBED BY COMPTON. AMBASSADOR WILL MAKE THIS POINT TO BARUA AND WILL ALSO POINT OUT THAT FNCB HAS INDICATED THAT IT WILL BE PREPARED TO HELP WITH THE \$250 MILLION IN FINANCING ESTIMATED TO BE REQUIRED. HE WILL TELL BARUA THAT FURTHER (AND POSSIBLY LIMITED OFFICIAL USE

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COMPTON) WILL BE RETURNING TO PERU NEXT THURSDAY AND THAT THIS WOULD APPEAR TO PRESENT AN EXCELLENT OPPORTUNITY FOR FURTHER PROGRESS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COMPENSATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA08176
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750342-0837
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751088/aaaadayx.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LIMA 8088
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 SEP 2003 by CunninFX>; APPROVED <20 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARCONA SUBMITS REVISED ESTIMATE OF VALUATION TO GOP
TAGS: EINV, EMIN, PFOR, PE, MARCOMA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006